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Version with markings to show changes made

Page 2, lines 6-14 have been amended as follows:

Among TGF-beta members are the bone morphogenetic proteins (BMP). The BMPs have been indicated as useful in wound healing, tissue repair, and to induce cartilage and/or bone growth. BMPs have potent effects during embryogenesis. One member, BMP-4, has been shown to have potent ventralizing effects in *Xenopus* embryos, leading to the differentiation of blood and mesenchyme and inhibiting the formation of dorsal tissues such as notochord, muscle, and nervous system (see, e.g., Jones *et al.*, *Development* 115:639-647 (1991)). BMP-4 is expressed ventrally in the *Xenopus* embryo and its expression is increased by ventralizing treatments such as irradiation with ultraviolet light.

Page 51, lines 19-22 have been amended as follows:

The transgenic mice comprising disruptions in BMP genes were analyzed for phenotypic changes. The phenotypes associated with a disruption in BMP nuclear receptor genes were determined. The homozygous mice demonstrated at least one of the following phenotypes:

Claim 4 has been amended as follows:

4. (Amended) A method of producing a targeting construct, the method comprising:
 - (a) providing a polynucleotide comprising a first sequence homologous to a first region of a BMP gene and a second sequence homologous to a second ~~region~~ ~~change cross references to hard number~~ ~~region~~ of a BMP gene;
 - (b) inserting a positive selection marker in between the first and second sequences to form the targeting construct.